

Business Failure Rates and Competitiveness in Construction

Dun & Bradstreet's Business Failure Record has reported business failure counts monthly and annually and provided the most comprehensive data available on business failures. (After 1997, the data series was discontinued.)

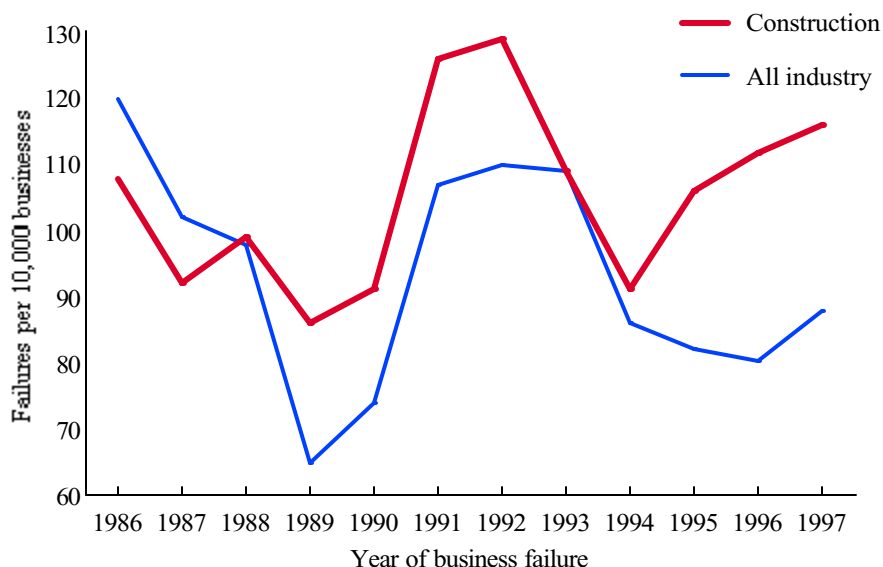
Dun & Bradstreet maintains its own database on more than 10 million businesses, including information on business failures. The database contains information about individual businesses of all sizes, compiled from sources like chambers of commerce, banks, and insurance companies. After collecting names of companies, Dun & Bradstreet contacts a company by mail or in person to verify and update company information. The number of concerns listed in the database fluctuates, because of the economy's volatility.

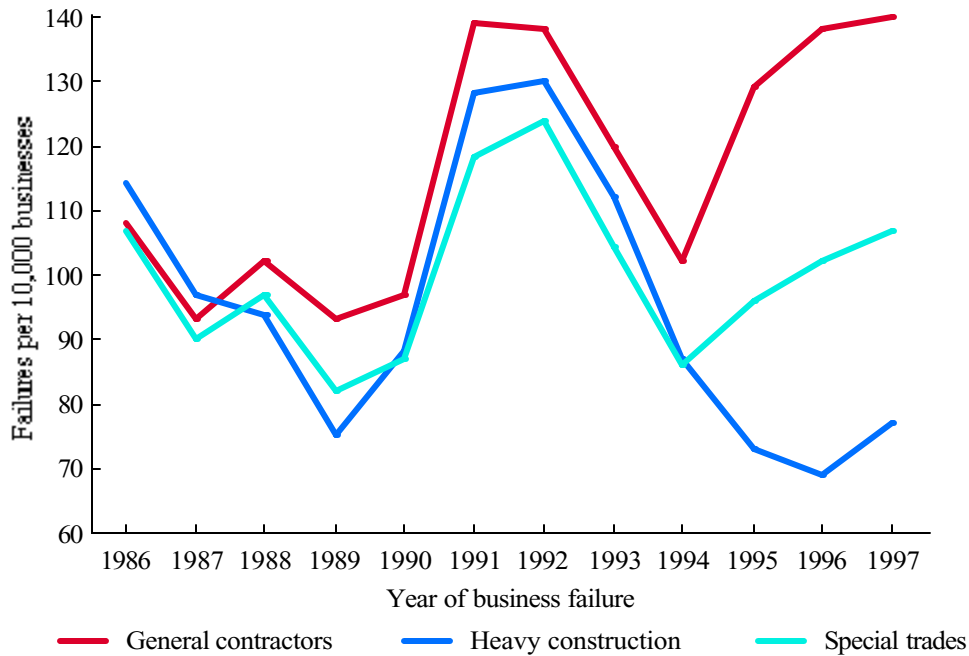
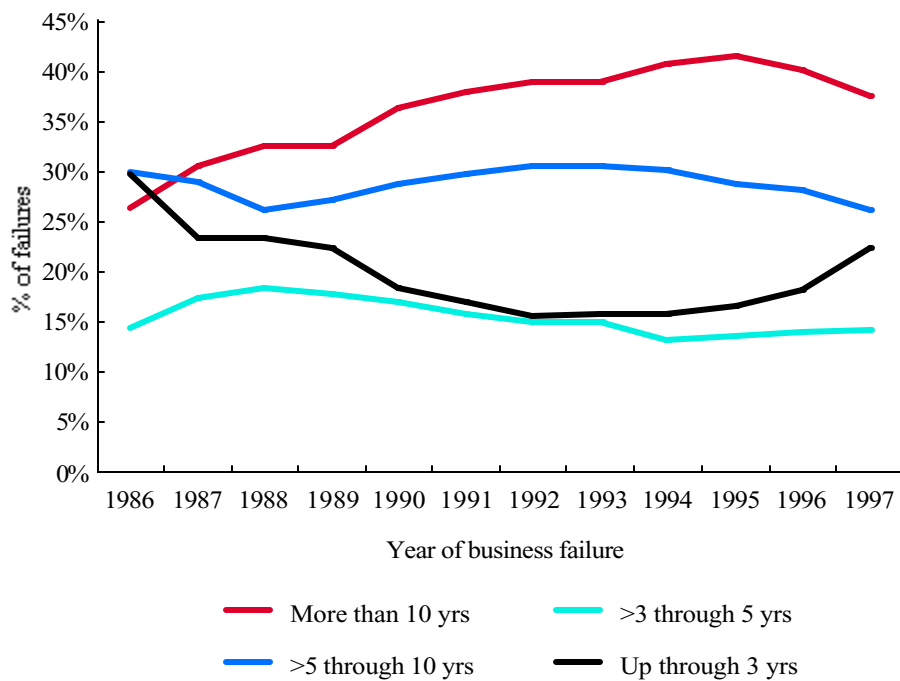
Dun & Bradstreet defines a business failure as a closure or interruption of business with a loss to creditors. This definition includes businesses that cease operations following assignment or bankruptcy; cease operations with losses to creditors after such actions as foreclosure or attachment; voluntarily withdraw, leaving unpaid debts; are involved in court actions, such as receivership, reorganization, or arrangement; or voluntarily compromise with cred-

itors. A business closing that leaves no liabilities — as a result, for instance, of lack of profit, death, or retirement — is not classified as a failure.

The Dun & Bradstreet data show that construction businesses failed after 1988 at a higher rate than do all businesses (chart 10a). The number of business failures in construction was 10,867 in 1997, and the overall failure rate increased from 112 to 118 per 10,000 companies compared to the preceding year. All three construction sectors reported increased business failures (chart 10b). The greatest increase in the number of failures was in heavy construction, where there were 289 failures in 1996 and 346 in 1997, a 19.7% increase. General contractors, however, have been failing at higher rates than the other two construction sectors since 1988, on average. And, overall, older businesses were a larger proportion of business failures in 1997 than they were a decade earlier (chart 10c). Compared with general contracting and special trades, heavy construction had a larger increase in failure rates in 1996-97; this decline in the sector is reflected also in data on construction employment and the number of establishments (see chart book pages 4 and 20).

10a. Business failure rates, construction and all industries, 1986-97



10b. Construction business failure rates, by sector, 1986-97**10c. Percentage of construction failures, by age of business, 1986-97**

Note: All charts - A total of 11,057 failures in 1997, among some 10 million businesses.
Data are provided using SIC codes, rather than NAICS.

Chart 10c - Categories are "up to and including 3 years," "more than 3 through (including) 5 years," "more than 5 through 10 years," and "more than 10 years."

Source: All charts - Dun & Bradstreet Corporation, *Business Failure Record*, 1986-97, annually.